

State of Minnesota Department of Commerce

Bulletin 2007-9

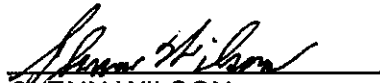
Issued this 30th day of October 2007

To: All Insurance Companies Writing Crop Hail Insurance in Minnesota

From: Minnesota Department of Commerce, Insurance Product Filing and Securities Registration Section

Re: Crop Hail Insurance Filings

Reason for Bulletin: Each year the Department issues a bulletin to address issues of concern for crop hail carriers and to remind them of the rate filing process. This year we have established the following guidelines. Accordingly this Bulletin supersedes Bulletin 2006-7.


GLENN WILSON
Commissioner of Commerce

1. Companies must file for the 2008 crop season. A company may write no new business until the new rates are effective.
2. Filing Procedure.
 - a. New rates must be received by the Department no later than January 31, 2008.
 - b. In accordance with Bulletin 2007-3, effective January 1, 2008, all filings must be submitted through the NAIC System for Electronic Rate and Form Filing (SERFF). We strongly encourage the use of SERFF. However, prior to January 1, 2008, filings may be submitted electronically via email to crophail.commerce@state.mn.us, or in paper format.
 - c. In addition to the standard P&C filing requirements contained in Bulletin 2000-4, all filings must be accompanied by the FILING CERTIFICATION FORM (Exhibit A), and the CROP HAIL INSURANCE RATE FILING FORM (Exhibit B), regardless of filing method. SERFF users should carefully review and comply with all other filing requirements found in the Minnesota Property & Casualty General Instructions. Email filings larger than two (2) megabytes in size must be submitted on a CD by regular mail.
3. Possible Deviations that the Department of Commerce will accept:
 - a. A company may use alternative loss costs developed by using meaningful statistics from a large database with a minimum of 20 years of experience.

- b. A company may deviate from the National Crop Insurance Services (NCIS) Final Average Loss Costs (FALC's) by a maximum of 10% up or down. Any deviation greater than 10% requires actuarial justification based on credible experience.
 - c. If a company does not use the NCIS crop and policy form factors, then it must document this in its filing and include a complete list of the crop and policy form factors that are used. It must also include support for the factors that are used.
 - d. Deviations in low liability townships and /or counties:
 - 1) If the liability in a township is less than \$50,000, i.e., a low liability township, then a company may judgmentally modify the FALC with catastrophe for that township to be consistent with the rates of adjacent townships. The filing must identify all townships where this is done and include an explanation of why the proposed rate is better.
 - 2) In the 2008 NCIS filing, corn is factored off of wheat in corn low liability counties where the wheat is not low liability and wheat is factored off of corn in wheat low liability counties where the corn is not low liability. The county low liability threshold is \$1,250,000. A company may extend this NCIS low liability procedure for wheat FALC to counties where wheat liability is up to \$10,000,000 provided that corn liability exceeds \$10,000,000. (See Exhibit B, pages 10-11, of the NCIS Filing for a list of wheat and corn liabilities by county.) For example, the wheat liability for Blue Earth County is 5,754,330 and the corn liability is 492,429,839. The NCIS calculates the wheat FALC in Blue Earth County using the wheat experience alone. A company may use the wheat FALC provided by the NCIS for Blue Earth County or it may set the wheat FALC equal to 1.48 times the corn FALC. The filing must identify all counties where this is done.
 - 3) Maximum and minimum FALCs: A company may use minimum and maximum FALCs by crop class on either a statewide or county basis. The filing must specify and justify each minimum and maximum, and they should be balanced and reasonable. By balanced, we mean that the expected effect is revenue neutral.
4. FALC Multiplier: A company must document the calculation of its FALC multiplier.
- a. The company must include a three-year expense statement itemizing Production Expenses; Taxes, Licenses and Fees; General Expenses; Loss Adjusting Expenses; and Other Expenses.
 - b. The company may separate fixed from variable expenses and use an expense constant, but it must provide an analysis that identifies the different categories of expenses and demonstrates that the aggregate premium will be unchanged by the separation.
 - c. If a company varies the multipliers by FALC, then it must provide an analysis to justify the different multipliers.
5. Discounts:

- a. Cash discounts may not exceed 3% unless a higher discount can be justified. The cash must be paid by July 1 of the crop season to qualify for a 3% discount. Cash paid by August 1 can qualify a policy for a 2.5% discount. For a policy written after July 1 with a 3% discount, the cash must accompany the application to the processing office.
 - b. Large volume discounts will be allowed on a graduated scale, but only to an extent justified by specific expense savings. The savings must be identified in the filing. The rules must specify the eligibility criteria for the large volume discount and the discount must be applied to any account that is eligible (Minn. Stat. §70A.04, subd. 4 (2002)).
 - c. Claim-free discounts for crop hail coverage cannot be actuarially justified, so these discounts will not be allowed.
 - d. A discount will not be allowed on crop hail premiums if a Multiple Peril Crop Insurance (MPCI) policy is involved, unless convincing actuarial support is supplied.
 - e. Any other discounts must be actuarially justified and submitted over the signature of a member of the Casualty Actuarial Society.
6. Do not file MPCI rates or forms, either as a formal filing or a courtesy filing. MPCI is a federally regulated product that is not filed with the state.
 7. Questions about this bulletin may be addressed to Tom.Baker@state.mn.us/(612) 670-6483 or Nancy.Myers@state.mn.us/(651) 296-6921.